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Your Superannuation plan



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YOUR SUPERANNUATION PLAN

An explanation of
The Public Service Superannuation Act

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**THE SUPERANNUATION BRANCH, DEPARTMENT OF FINANCE
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Introduction

The purpose of this booklet is to acquaint persons employed on and after January 1, 1957, with the main points in the Public Service Superannuation Act, the benefits to which you and your dependents are entitled, and the various options and elections that are open to you.

We would like you to keep it, read it carefully, and study those sections which are of particular interest. That is the only way to be sure you are making the best choice in those matters which require a decision.

As you will note, this booklet is quite complete and provides all the information that will be needed by the great majority of new employees. There are, however, some combinations of circumstances which are not covered. If your case is one of these, please get in touch with your personnel office.

There are two parts to this booklet. The first deals with the superannuation or pension plan while the second deals with the death benefit plan.

Persons who have been employed in the public service for some years are invited to read the earlier version of this booklet. It contains many points which have been omitted in this edition since they deal with situations which are of no concern to most new employees.

One more point. This booklet is not a legal document and, therefore, if there is any conflict between it and the Public Service Superannuation Act and Regulations, the exact wording of the law will apply.

Your superannuation plan is one of the best in the country. We hope you will find this explanation helpful.

PART I—SUPERANNUATION

Coverage

With a few exceptions, the Public Service Superannuation Act provides that every full-time employee in the public service, male or female, married or single, with an annual rate of salary of \$900 or more, will start to build up his superannuation credits after no more than a year of substantially continuous employment. It covers about 150,000 employees.



The main groups who are excluded are part-time employees, persons who are locally engaged outside Canada, those who are required by this Act to pay into the Retirement Fund and those covered by some other federal government pension plan. It follows, too, that if a person is a contributor and then becomes, say, a part-time employee, he will stop contributing.

The term Public Service, as used in this Act, covers more than the Civil Service proper and includes, for example, positions in or under the Senate, House of Commons and the Library of Parliament as well as certain other portions of the public service which are listed in an appendix to the Act. Additions may be made to the schedule by regulation. A copy of the list, as it now stands, appears on pages 35-37 of this booklet.

Prevailing rate, seasonal and sessional employees may contribute to the Superannuation Account if they meet certain conditions and are designated as contributors. They do not come under it automatically. Prevailing rate, seasonal, and sessional

employees have to serve for varying periods before they become eligible to contribute and then steps have to be taken to have them designated as contributors. If you are in one of these categories, see your personnel office regarding your waiting period.

This Act was drawn up to agree with the intent of the Civil Service Act. Therefore, persons subject to the Civil Service Act who are appointed to continuing positions will start to build up superannuation credits on appointment, that is, without any waiting period, provided they have been qualified in conformity with the Civil Service Act for such a position. Those who are assigned for what might be called a term, that is, to a position which results from a temporary pressure of work, will not contribute until they have one year of service regardless of whether or not they are qualified to occupy a position of a continuing nature. Similarly, those who are assigned to a continuing position but are not qualified for such will also have to wait one year before they start to contribute, or else qualify in the meantime.

Persons who are not subject to the Civil Service Act will start to contribute as soon as they are appointed unless they are assigned for a term of one year or less. If they are assigned for such a term but stay on for one reason or another, they will start to contribute after they have one year of service.

Medical Examinations

In the case of new contributors, no medical examination is required in order to contribute for current service and, as a rule, no medical examination is required in order to pick up prior service in the public service if such service has been substantially without interruption.

If there has been a break the new contributor has to take a medical examination before he can elect to pay for the period before the break, unless he has more than five years of substantially continuous employment in the public service at the time he elects. If he has that, he can pick up the period before the break without medical examination.



The same applies in the case of war service, pensionable service with other employers and other types of pensionable service outside the public service. In other words, they, too, can be picked up without a medical examination if the contributor has the customary five or more years of service and makes his election within the year allotted to him.

As stated above, those contributors who have less than five years of service have to take a medical examination before they can pick up certain types of prior service. If they pass it, they gain immediate protection. If they fail to pass the medical, they can start to contribute for the earlier service immediately but they will have to wait five years from the time of the medical examination before they acquire any annuity benefits based on that service. All their estate would get if they died in the meantime, so far as that service is concerned, would be a return of their contributions. They would, however, be eligible for benefits based on their current service as soon as they have five years of substantially continuous employment in the public service.

Special provisions apply to newcomers to the service who were, at some time in the past, contributors under the old Civil Service Superannuation Act, that is, the predecessor to this Act. If such people now want to elect for service for which they could have elected before but failed to do so, they must first pass a medical examination and they must pay for the service on the penalty basis. The same would ordinarily be true for persons who have been contributors under this Act, that is, the Public Service Superannuation Act, ceased to be contributors, by leaving the service for example, and then, at a later date, became contributors again. Such people won't get a second penalty-free chance to do what they could have done earlier. (For a description of the penalty basis, see the section entitled "Elections").



Some readers may wonder why, in a booklet for new employees, we have referred in this section to employees who have five years of substantially continuous service. This is for the benefit of certain groups, like prevailing rate employees, who have to wait for varying periods before they may be designated as contributors to the Superannuation Account.

Elections

A person will start to contribute for current service as a matter of course and without election effective from the time he becomes eligible to do so.

The main types of service for which a contributor has to elect if he wants to pick them up are: (1) the portion of his service in the public service which is not covered by the transfer

of his credits in the Retirement Fund (2) any other previous service in the federal public service except part-time service (3) war service in World War I or World War II and (4) immediately prior pensionable service with other employers who have "approved" pension plans. (See the section entitled "When and How You Can Pick Up Service with Other Employers").

If an employee intends to pick up one or more of the above types of service he is strongly advised to make his election within a year of becoming a contributor to the Superannuation Account. If he doesn't, and decides to pick it up later, he will have to do so at a penalty. It might be noted that when the Act came into force in 1954 the Superannuation Branch was faced with a great deal of work and therefore contributors were permitted to elect without penalty beyond the normal one year period. This, however, was a temporary arrangement.

If a person wants to count service for which he failed to elect within the normal one year limit, he has to pass a medical examination and he has to contribute on the basis of his salary at the time the election is made and not, you will note, on the basis of his salary at the time when he was first employed. This could make quite a difference in some cases.

The purpose of the penalty is to protect the Superannuation Account from actuarial selection against it, in other words, abuses. If there was no penalty, certain people, for example, those who had several promotions, would be able to gain valuable protection at very little cost.

Whenever it is made, an election may be for the whole or a part of a period of prior service. If it is for only a part then that must be the most recent part and the cost will be the cost for the years in question on the appropriate basis. An employee may, if he wishes, extend a partial period without penalty by amending the previous election within the normal one year time limit.

When this Act came into force there was no provision for revoking an election. Later, however, it was found that this worked a hardship in some cases and therefore legislation was passed which permits revocation, in whole or in part. It is well to remember, however, that revocation is permissible only in certain situations and, therefore, you should give careful consideration to any election that you may be contemplating. It is not necessary to go into the reasons here but if revocation was a simple matter many abuses could arise.

An election is void if it is for service which a person can still count for pension purposes under another plan. This is to avoid the possibility of having two pensions based on the same period of time, for example, under another government pension plan and this plan. To put it another way, over-lapping periods are not allowed.

Elections have to be made on the prescribed form, they have to be completed by the individual, witnessed and sent by registered mail, they have to be made while still employed and they have to be in the hands of the Superannuation Branch within the prescribed time limit. If they are so much as one day late, the penalty provisions would apply. For that reason you should make your election well before the time limit is up. Before electing you will, of course, want to know what your prior service will cost and therefore you should get in touch with your personnel office shortly after you become a contributor. They will give you whatever information you require and provide you with the necessary forms.

Payments for prior service may be by a lump sum or by instalments over a period which could be shortened later by increasing the size of the instalments. Instalments are not limited to the period of future employment and the later ones could be deducted from the annuity when it becomes payable. The instal-

ment method is more costly than a lump sum payment and you should compare the two totals before making an election. Another point to remember is that, as a general rule, interest is charged on any instalment that is due and not paid. If you are purchasing prior service on the instalment plan and you move from one department to another, check with your personnel office to make sure your deductions are continued.

A final word. If you want to pick up a certain period of service but can't decide, after reasonable enquiry, whether you are entitled to do so or not, the best thing to do is to request an estimate of cost. In that way you can be sure of getting a clear-cut decision.

What you pay for current service

The rate of contribution for current service is 6 per cent of salary for men and 5 per cent for women. The upper limit on salaries for both contribution and benefit purposes is \$15,000. The few who make more than that will contribute for and receive benefits on the first \$15,000 only. The maximum period for which you may contribute is thirty-five years.

The Canadian Government matches the contributions of employees for both current and certain prior service, allows interest at four per cent, pays the costs of administration and makes additional contributions to meet the additional liabilities caused by general salary increases. In a few cases, Crown Corporations pay the matching contributions.

Payments to the Superannuation Account are deductible for income tax purposes up to a certain maximum for both current service and prior service. To determine the extent of deductibility, you should consult your District Taxation Office.

It should be noted that a contributor under this plan who has been at one time or another a contributor under the Defence Services Pension Plan or the R.C.M.P. Plan will stop contributing when his combined periods come to thirty-five years.

What you pay for prior service in the public service

As a rule, the rates for prior service in the public service are the same as those for current service, provided the person concerned makes his election to pay for his back time within a year of becoming a contributor to the Superannuation Account.

In other words if he elects within the time limit all he has to pay is 6 per cent (5 per cent if a female) of his salary at the time it was earned together with interest from the middle of the fiscal year in question. (See the section entitled "Payments to the Retirement Fund").

If a person wants to pick up prior service in the public service but fails to do so within the year allotted to him, he has to pay at the rate of 6 per cent (5 per cent if a female) of his salary at the time the election is made—not his salary at the time it was earned—and, of course, he has to make up the interest. That is the penalty for late election. (See the section on "Elections"). As stated before, part-time service is not countable and therefore cannot be claimed.

How you pick up War Service

A veteran entering the public service for the first time may pick up all or part of his war service in World War I or World War II for pension purposes. If he does, he has to pay for it at the rate of 12 per cent (10 per cent if a female) of his starting

salary in the public service and make up the interest since the period of war service in question. War service in Canada as well as overseas can be counted. Service in the Special Force set up after World War II can also be counted.

The official end of World War II has been set at September 30, 1947, and therefore service up until that time is eligible service.

Also, as a general rule, a veteran may, if he wishes, purchase, in addition to his actual war service, any time spent in hospital as a result of his military service, provided the period follows his discharge. Special provisions apply to those who were in the public service before enlistment.



When and how you can pick up service with other employers

An employee can pick up service with other employers: (a) if his previous employer has an “approved” pension plan to which he was subject, that is, one approved by the Treasury Board for the purposes of this Act or (b) if his previous employer has entered into a reciprocal transfer agreement with the federal government. In both cases the provisions only apply, generally speaking, to immediately prior service.

Under the first method, the approved plan, the employee would pay for the service in question at the rate of 12 per cent (10 per cent if a female) of his salary on entrance to the public service and, of course, he would have to make up the interest. On the surface that may sound like a rather expensive procedure

but actually it may not be. The answer would depend on whether or not the approved plan provided for a return of the employee's own contributions and perhaps those of the employer as well. If it provided for both, the employee would only have to make up the difference if any. Incidentally, if the approved plan gave credit for service with a still earlier employer that also would be included in the period of pensionable employment which the employee can elect to pick up.

The procedure is different in the case of a reciprocal transfer agreement. These are contracts which the Minister of Finance may enter into with provincial, municipal and foreign governments, international organizations, Crown Corporations and certain other public bodies. Under them, an employee who is moving from one of these agencies to the federal service or vice versa may carry his pension credits with him at little or no cost to himself. In other words, they include a transfer of the employer's contributions as well as those of the employee. Your personnel office can tell you which agencies have completed such agreements.

Incidentally, if a person has been subject to the RCMP Act or the Defence Services Pension Act and becomes subject to this Act, he may, if he wishes, transfer his superannuation credits and work towards a new pension based on the combined periods of service. Before doing so, however, he should study the special conditions which apply.

How you pay for leave of absence without pay

A person who goes on leave of absence without pay must still contribute for superannuation. Those who are on sick leave, educational leave or military leave (except those who are contributing to the Defence Services Pension Fund) and those who are on leave without pay for a very short time, pay at the rate of

6 per cent (5 per cent if a female), all others at 12 per cent (10 per cent). Those who go on military leave and contribute to the Defence Services Pension Fund cease to be employed in the public service for superannuation purposes but can transfer their credits to our plan when they return to the public service.

Ordinarily, the amount owing will be automatically reserved from the employee's cheques when he returns to duty and, as a general rule, the deductions will be spread over a period equivalent to his absence. If, however, the person is on extended leave, he may be permitted to send in his payments monthly rather than have them deducted on his return. Alternatively, if hardship is likely to result, the employee may be allowed to spread his deductions over a period longer than his absence. There is no interest charge.

The salary on which the contributions are based is that which would have been paid if the person had not been absent. This would allow for annual increases and any overall increase related to his class or grade but would not permit any theoretical promotion from one grade to another.

How unpaid instalments due at retirement are recovered

If a person reaches the age of sixty or over and goes on retirement before all his instalments for prior service are paid, he will be treated as though he had paid for the whole period but the unpaid instalments will be withheld from his allowance. If he is entitled to receive a gratuity the equivalent present value of the unpaid instalments will be taken out of it. To put it another way, the benefits will be figured out on the same basis as they would have been if all the instalments had been paid but the amount owing will be recovered, immediately if the person has chosen a gratuity, and over a period of time if he has chosen an annuity. If a person retires under the same circumstances at say,

fifty-five, and chooses a deferred annuity commencing at sixty, he is expected to remit his instalments for prior service during the deferred period and for as long thereafter as may be necessary. Those who fail to do so will be subject to the penalties for default.

If, however, a person dies before all his instalments for prior service are paid the future unpaid balance will not be recovered from his dependents or otherwise. This is so regardless of whether the person was employed or retired at the time of his death. The reason for this is that instalments are figured out on an interest and mortality basis which means, in effect, that the possibility of death during the payment period is foreseen and provided for.

The foregoing doesn't apply in the case of a defaulted instalment, that is, one that should have been paid while the person was living but was not. In that event, the amount, with interest, will be recovered from the estate, from the widow, or from the widow's and children's allowances, either in a lump sum or over a period of time. The person concerned is free to decide which method of recovery is to be followed.

The difference in treatment in these two cases stems from the fact that the first man met all the payments that became due up to the time of his death—the second man did not, he was behind in his instalments when he died.

Payments to the retirement fund

Generally speaking, employees contribute to the Retirement Fund until such time as they become eligible to contribute to the Superannuation Account. The Governor in Council may, however, exempt persons individually or as a class from this requirement.

Contributions to the Retirement Fund are at the rate of 5 per cent of salary unless the employee is also insured under the Unemployment Insurance Act in which case contributions are at

4 per cent. These contributions earn interest at the rate of 4 per cent per annum, compounded annually, on the total amount to the employee's credit on December 31 each year. When the employee becomes a contributor under the superannuation plan, the amount to his credit in the Retirement Fund is automatically transferred to the Superannuation Account.

In view of the fact that contributions to the Retirement Fund are only at the rate of 4 per cent or 5 per cent, they do not cover, for superannuation purposes, the full period during which they were paid, even though they have earned interest. To illustrate, if a person has been contributing at 4 per cent for say a year his contributions, with interest, will only cover a little more than two thirds of that period or slightly over eight months. If he wants to pick up the remaining time, or part of it, he has to elect to pay the difference between what he has paid and what he would have paid at 6 per cent. A female employee would have less to pay since her contributions are at the rate of 5 per cent rather than 6. An employee may also count any earlier service as a full-time employee in the public service during which he did not contribute to the Retirement Fund.

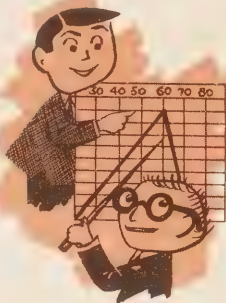
When a person with a credit in the Retirement Fund ceases to be employed in the public service or is exempted from contributing to this Fund and does not become a contributor to the Superannuation Account any amount to his credit in the Fund is paid to him or, if he has died, to his estate.

How to figure out the benefits

Benefits are paid as a matter of right when a contributor ceases to be employed on account of age or disability or for any other reason including dismissal because of misconduct. Depending on the circumstances, the benefits take the form of annuities,

immediate and deferred, as well as lump sum payments. The minimum benefit is a return of contributions.

There is no fixed retirement age in this Act. Instead the Governor in Council decides by regulation the age at which a person normally ceases to be employed and the conditions under which it is possible to continue a person's employment beyond that age. At present, the age at which a person normally ceases to be employed is sixty-five.



If a contributor retires at the age of sixty or over, with five or more years of service, for any reason except misconduct he has the right to an immediate annuity. In this case he can't choose anything else. If a contributor dies, his widow and children have a similar right to an immediate allowance, provided the contributor would have been entitled to receive annuity benefits had he lived. This is so regardless of the age of the husband at death and regardless of whether he was employed or retired at the time.

In the normal case the annual amount of the annuity is two per cent (one-fiftieth) of the contributor's average salary over that period of ten consecutive years in which his salary is highest multiplied by his years of service up to a maximum of thirty-five. It might be noted that where the contributor has less than ten years to his credit the salary used in the formula is his average salary for those years. If the contributor has more than thirty-five years of service he can use the extra years to figure out his average salary over a ten year period provided, of course, it is to his advantage to do so. He could not, however, contribute after

thirty-five years. Employees with one or more breaks in their service should join the periods together in order when they are figuring out their highest average salary.

The formula used in figuring out the widow's allowance is the same as that described above except that it is based on one per cent of the average salary used in his formula instead of two per cent. This formula is normally used regardless of the fact that the husband may have died while still employed, during the deferred period after resigning before sixty or while in receipt of an annuity, either in full or on the actuarially reduced basis. (See the section entitled "How Benefits are Affected by Retirement before Sixty").

A reduction in entitlement would occur if the widow was younger than the husband by twenty years or more. There is no provision for payment of annuity benefits in respect of the husband if the wife was a contributor before her death. To put it another way, there are no allowances for widowers comparable to those for widows.

This is the way children's allowances are computed. Allowances are paid to each child under eighteen years of age up to a total of four on the basis of one-fifth of the widow's allowance. Where there is no widow surviving, allowances are paid to each orphaned child up to a total of four on the basis of two-fifths of her allowance. This means that a widow with four children under eighteen would receive 90 per cent of the husband's pension and, if she died, the four children would receive 80 per cent of the husband's pension. If the father and mother were both contributors and both died their children would be eligible for two sets of benefits. A contributor's children by an earlier marriage are entitled to the same benefits as the children of the second marriage provided they are under eighteen.

To illustrate how the benefits work out in practice, we might take a look at a typical case, a man who has been employed in the public service for thirty-five or more years and has earned an average salary of \$5,000 a year in his highest ten year period. This is what he or his dependents would get:

- (1) if he retires at, say, sixty-five, an annual allowance for life of \$3,500, 70 per cent of the above amount, two per cent for each of the thirty-five years.
- (2) if he dies, his wife would receive one-half of his allowance, \$1,750 a year, one per cent for each of the thirty-five years.
- (3) if he dies but leaves a wife and four children under eighteen they would receive a total yearly allowance of \$1,750 which is the wife's pension, plus one-fifth of that for each of the four children, \$1,400 (4×350), \$3,150 in all. This represents 90 per cent of the contributor's pension while he was alive.
- (4) if the wife dies while the four children are still under eighteen, each would receive \$700, two-fifths of the mother's allowance, \$2,800 in all ($4 \times \700). This represents 80 per cent of the contributor's pension while he was alive.

How benefits are paid

Usually the benefits are paid to the contributor if he is living, to the wife and children under eighteen if he is dead, to the guardian of the children if the father and mother are both dead and ultimately, if there is anything left, to the estate.

The Treasury Board does, however, have some discretion in the matter. If, for example, a contributor deserts his wife and a court rules that payments should be diverted to her or to the children, payments will be made in accordance with that decision. Similarly, and again subject to certain conditions, the Treasury

Board can divert payments to common law wives or, if it wishes, withhold them from a widow who was separated from her husband for some years. It can also divert payments if a person is incapable of handling his own affairs.

The amount, if any, which goes to the estate is called a residual amount and is the amount by which a contributor's own contributions exceed the amount which has been paid out to him or his dependents. This means, that, at worst, you or your estate will get everything you have paid in over the years. With one minor exception, which it is not necessary to describe here, it is impossible to get less than that. The majority, of course, will get a great deal more in the way of benefits than they personally have paid in. By the way, depending on the amount involved, the residual payment may be paid to the surviving dependents directly without submitting the estate to probate.

Annuity payments are usually made monthly but there is provision for less frequent payments. Where, for example, the monthly payments would be less than ten dollars the contributor may elect to have them capitalized, that is, to take a lump sum. If he so elects, that would be all that he or his family would receive. If he chooses another option, however, and he is perfectly free to do so, the payments may be made at quarterly, half-yearly or even yearly intervals. A contributor whose monthly annuity would be more than ten dollars can also ask to have the payments made less frequently and chances are the request will be granted. He, however, would not be able to have them capitalized.

How benefits are affected by retirement before sixty

Generally speaking, if a person ceases to be employed before sixty for any reason other than disability or misconduct, he has three choices: (1) a deferred annuity starting at sixty (2) if the

Treasury Board agrees, a smaller annuity starting as early as fifty, or (3) a return of his contributions.

If the Treasury Board permits the contributor to make the second choice, that is, an annuity commencing immediately if the contributor is fifty or more years of age, or at fifty if he is less than that age, the annuity would be the actuarial equivalent of what it would have been at sixty. If, however, he makes his choice and then dies, there is no reduction in the protection available to the wife and children; they will get what they would have received if he had selected a deferred annuity commencing at sixty.

When a contributor is dismissed for misconduct he is entitled to at least the return of his contributions without interest. In some cases the Treasury Board may grant him the whole or part of any benefit which he might otherwise have received for leaving at the same time.

How benefits are affected by disability

If a contributor has to retire before sixty because of disability, he can choose: (1) an immediate annuity figured out in the normal way, (2) a gratuity, or (3) a return of his contributions, without interest.

If the disabled person chooses an immediate annuity and recovers to the extent that he is able to carry out more or less the same duties as he did previously, or other duties for which he is qualified, his annuity will be suspended until, in the normal course of events, it again becomes payable. In other words if he decides to remain out of work, even though recovered, or to work for another employer, his benefit will be converted into a deferred annuity payable at sixty. If, on the other hand, he is re-employed in the public service, he may become entitled to a

new annuity based on the combined periods of service. In no case does he have to pay back the annuity payments he has already received.

A contributor is protected if he retires before sixty in good health, chooses a deferred annuity and then becomes disabled. In that event his annuity would start immediately.

How benefits are affected by retirements with less than five years of service

If a contributor ceases to be employed or dies, with less than five years of pensionable service to his credit, the only benefit is a return of contributions. These five years, however, include any earlier service for which he has elected to pay and therefore a person with, say, two years of service as an actual contributor and three or more years of elective pensionable service to his credit would not be subject to this restricted form of benefit.

How a widow's benefits are affected by remarriage

If a widow in receipt of an annuity re-marries, her annuity will be suspended but will be resumed on the death of the second husband unless, in the meantime, she had decided to take the difference between what the first husband had paid in and what had already been paid out on his behalf. She is entitled to do this once all their children are over eighteen. If the second husband was also a contributor, she may get a second annuity based on his service.

How a widow's benefits are affected by death within the first five years of marriage

If the Treasury Board believes "impending death was a consideration affecting an agreement to marry" and the husband dies within the first year of marriage the widow and children will not receive any benefits. If the husband lives for more than a year the widow and children will be eligible for a gradually larger annuity depending on how long the husband does live. If he lives for more than five years they would be eligible for an annuity computed in the normal way.

It should be repeated, though, that this provision applies, as stated above, only if the Treasury Board believes "impending death was a consideration affecting the agreement to marry". It would not apply, for example, to the widow and children of a contributor who was killed in a traffic accident a year or two after his marriage. They would get all the normal benefits.

How benefits are affected by marriages and births after retirement

If a man marries while he is in retirement, his widow will not receive any benefits after his death. That is the general rule. It would not hold, however, if the man re-enters the service after his marriage and becomes a contributor again; in that event the wife would be eligible for an annuity on the same basis as any other widow.

Much the same reasoning applies in the case of children born after the contributor's retirement. As a rule, they do not get any benefits either. One of the few exceptions is the posthumous child of a contributor who died while still employed in the public service.

How benefits are affected by re-employment in the public service

If a person is re-employed in the public service and does not become a contributor, as defined in the Act, to the Superannuation Account, he may, while so employed, retain any annuity that he might have been receiving in addition to his new salary so long as the two together don't exceed his final rate of salary while previously employed. If there is an excess then the annuity is reduced by the amount of the excess. This means that if a person was making say, \$4,000 a year when he quit the first time, got a pension of \$1,500 a year, and was re-hired at \$3,000 a year he would receive his new salary of \$3,000 plus \$1,000 of his pension, \$4,000 in all.

If, however, the re-employed person again becomes a contributor his annuity or allowance is stopped and a new one based on the combined periods of service will be his when he again retires. If the first one was computed on the basis of a five-year average salary (that was possible under earlier legislation) or included a period of free service, he would be given the option of two annuities on the two separate periods of service or of a single annuity on the present basis, that is, on his highest average salary in a ten-year period, for the combined periods of service. If the circumstances permit him to choose a return of his contributions, then that is limited to his new period of service and his old annuity will be resumed.



The re-employed person who previously contributed to the Superannuation Account and received no benefit of any kind will get credit for his earlier service at no cost. This provision is to cover a person who, for example, resigned prior to 1944 with less than ten years of service. Under the legislation in effect at that time he did not receive a return of contributions. Therefore, if he returns to the public service and becomes a contributor his earlier service will be counted in determining his benefits when he again leaves the public service.

Generally speaking, the re-employed person who received a lump sum benefit for earlier service can count that period by repaying the lump sum together with interest from the day when he received it. There are, however, a few refinements and these will be brought to your attention if and when circumstances make it necessary.

PART II—SUPPLEMENTARY DEATH BENEFIT

Coverage

The “Death Benefit Plan” provides a form of low cost protection which is primarily designed to cover you and your dependents during the years when you are most in need of protection, that is to say, during the years when you are building up your pension under the Public Service Superannuation Act. As the name implies, the benefit is only payable at death. It is officially known as the “Supplementary Death Benefit” and is to be found in Part II of the Public Service Superannuation Act. It covers the regular armed forces as well as the public service but this booklet only deals with that part of it which relates to public servants.

Broadly speaking, the plan applies to all civil servants who contribute to the Superannuation Account including prevailing rate, sessional and seasonal employees who so contribute. Two groups, however, are excepted. One is made up of those who “opted out” when they had an opportunity to do so in 1954 and have been employed in the Public Service substantially without interruption thereafter. The other is made up of those persons who work for government agencies which have their own group plans, for example, Crown Assets Disposal Corporation. Otherwise, everyone who is required to contribute under Part I of the Public Service Superannuation Act is also required to contribute under Part II.

How to figure out the benefit

The plan provides benefits equal to salary, subject to a maximum of \$5,000. In the case of those earning less than \$5,000 a year the benefit will, if it is not a multiple of \$250, be adjusted to the next highest multiple of \$250. For example, a

person who receives \$3,750 a year will be covered for \$3,750; one who receives \$3,780 will be covered for \$4,000. There is no provision whereby you can take more or less than the full coverage for which you are eligible. The amount of your benefit will go up as your salary goes up, subject to the \$5,000 maximum.

In keeping with the principle of the legislation, that is, protection when it is most needed, the benefits decline by ten per cent for each year beyond the age of sixty with the result that ordinarily there is no benefit at seventy. To illustrate, if a person is covered for \$3,000 at sixty and his salary does not change he would be covered for \$2,700 at sixty-one, \$2,400 at sixty-two, \$2,100 at sixty-three and so on. In the great majority of cases, the yearly reduction will take effect on April 1 or October 1 whichever date immediately follows the birthday of the person concerned.

There is a provision, however, which states that if a person dies while still employed in the public service, the minimum benefit is two months salary, regardless of whether the salary is above or below \$5,000. If this benefit is not a multiple of \$250 it will be adjusted to the next highest multiple of \$250.

Benefits cannot be assigned or given as security.

What you pay

Contributions are at the rate of ten cents a month for every two hundred and fifty dollars of coverage. This means that if a person is earning say \$2,760 a year, he would contribute \$1.20 a month, \$14.40 a year and would, of course, be covered for \$3,000. After you reach the age of sixty-one your contributions will go down as your coverage declines.

There is no maximum contribution period similar to the thirty-five year clause in Part I of the Superannuation Act. You pay as long as you are covered. There is no provision for a

return of contributions. Your contributions will be deducted from your cheque each month. Those on leave of absence, with or without pay, must also contribute. Your personnel office can tell you how to do so. The rate doesn't change.

How a person can retain his benefits after he leaves the service

If a person leaves the public service he may, if he wishes, retain his benefits, provided he has at least five years of service "substantially without interruption" and provided he makes an election to do so within the year preceding the date on which he ceases to be employed or within thirty days after that date. Service "substantially without interruption" is defined in the explanation of terms. A combination of armed forces and public service time can be used to make up the five-year period if one period follows right after the other. If you decide to retain your benefit, you must take the exact amount for which you are covered at the time you leave the public service.

What it costs to retain the protection

The cost will depend on the type of superannuation benefit you receive when you leave the public service. If you go out with an immediate annuity at sixty or over or with a disability annuity at any age, the rate is the same as if you remained in the public service. Naturally, though, if you are sixty-one or over when you leave you can only retain the reduced protection you have as of that date and, of course, your coverage and contributions will continue to decline until they disappear at seventy.

Those who leave the public service with any other type of superannuation benefit must pay at increased rates if they wish to retain their protection. Your personnel office can tell you

what these rates are. The rates vary depending on the age of the person at the time he leaves the public service. In effect, you have to pay the full cost of your coverage without any contribution from the government. Here is an example. A person who leaves the public service at fifty with coverage of \$3,250 would have to pay \$78.36 a year to retain his protection.

How a person leaving the service makes an election

You can get the election form from your personnel office. The responsibility is on you to complete the form and to submit it by registered mail to the Minister of Finance, Ottawa, marked for the attention of the Superannuation Branch. The election must be signed and witnessed and must be on the prescribed form. The Superannuation Branch will check your election and issue a document which will serve as evidence that you are an elective participant. You will be asked for proof of your age if you have not already submitted it. Those who re-enter the public service will cease to be elective participants if they again become participants in the normal way. Contributions will be adjusted accordingly.

How an elective participant pays for his coverage

If a person leaves the public service with an immediate annuity on account of age or disability and becomes an elective participant, his contributions will be reserved automatically from his pension cheque from month to month and year to year. As was said before, such people only pay at the normal rate.

In all other cases, the full contribution for the first year of coverage should accompany the election. The cheque, money

order or bank draft should be made payable to the Receiver General of Canada. In subsequent years, that is, after the first year the Superannuation Branch will notify these elective participants of the due date of their yearly contributions and if such contributions are not received within thirty days from that date the protection will be terminated without right of re-instatement.

In the case of persons entitled to a deferred annuity or an annual allowance, contributions will be received at the higher rate by monthly deductions from the benefit when it becomes payable. Where the circumstances of termination warrant the granting of an actuarial equivalent benefit the employee should contact his personnel officer for information as to the action he should take to safeguard his protection.

Ordinarily, the benefit will be paid to the surviving spouse, or if there is no surviving wife or husband, to the estate of the participant. In exceptional circumstances, such as desertion, the Treasury Board will decide to whom it should be paid.



What must be done to obtain the benefit

If the person dies while still employed in the public service, the benefit will be paid as a matter of course along with the superannuation payment. If, however, the person was an elective participant, the claimant must fill out a form called "Claim for Payment of Benefit". This is attached to the document which was issued to the deceased person at the time he became an elective participant and indicates the information and material the claimant should submit to the Superannuation Branch.

Explanation of Terms

The following are short explanations of terms used in one or more places throughout the booklet

Annuity—this is the monthly payment to which a person becomes entitled immediately upon retirement on account of age or disability.

Deferred Annuity—this is the monthly payment to which a person becomes entitled but is not payable until age 60.

Annual Allowance—this is the monthly benefit payable to the widow and/or children of a deceased contributor. It includes also the actuarial equivalent benefit payable to a contributor at age 50.

Gratuity—this is an amount equal to one month's pay for each year of pensionable service up to ten. The amount is calculated on the basis of the salary which is authorized to be paid in the last month of employment.

Interest—unless otherwise specified, interest means four per cent simple interest.

Forces—means the naval, army or air forces of His Majesty or any of the Allies of His Majesty during World War I or World War II, and Special Force Service.

Special Forces—means the Royal Canadian Navy Special Force, the Canadian Army Special Force and the Royal Canadian Air Force Special Force as constituted from time to time by the Minister of National Defence.

Active Service in the Forces—means any service in the forces of a kind designated in the regulations, to be active service, which service is deemed for the purposes of this Act to have terminated upon discharge or, in the case of a person who underwent treatment in a veteran's hospital, as defined in the Regulations, immediately following his discharge, upon that person's release from hospital.

Disabled—means incapable of pursuing regularly any substantially gainful occupation.

Misconduct—means the wilful disobedience of provisions of any statute or regulation governing the performance of official duties, the breach of which involves dismissal from the Public Service, malversation in office, or abandonment of office.

Prevailing Rate Employee—is a person

- (i) whose remuneration is based on rates of pay prevailing in the area of his employment for the class of work he does, or
- (ii) who is paid rates of pay based on rates of pay prevailing in any area in Canada for work comparable to the class of work he does,

but does not include a person in receipt of a stated annual salary.

Seasonal Employee—is a person who

- (i) is certified in accordance with the Civil Service Act to be a seasonal employee
- (ii) is appointed at a stated annual salary, to perform duties for a period of less than twelve months in successive years of employment, but does not include a person who is appointed as a teacher at a school established under the Indian Act, or under an ordinance of the Commissioner in Council of the Northwest Territories.

Sessional Employee—is an employee of either House or of both Houses of Parliament who is employed for one or more sessions of Parliament.

Part-time Employee—is an employee who is not required to devote his constant attention to the performance of his duties and who is not precluded from engaging in other substantially gainful employment.

Spouse—for purposes of the Supplementary Death Benefit Scheme means the legal wife or husband of the contributor or the woman deemed to be the legal wife.

Child—includes—natural child, stepchild, adopted child.

Substantially without interruption—means employment without a break in service of more than three months.

Schedules

PART I

Boards, Commissions and Corporations forming part of the Public Service

| | |
|---|---|
| Agricultural Prices Support Board | Federal District Commission |
| Air Transport Board | Fisheries Prices Support Board |
| Atomic Energy Control Board | Fisheries Research Board |
| Atomic Energy of Canada Limited | Income Tax Appeal Board |
| Board of Grain Commissioners | International Joint Commission |
| Board of Transport Commissioners | National Battlefields Commission |
| Canadian Commercial Corporation | National Film Board |
| Canadian Farm Loan Board | National Gallery of Canada |
| Canadian Maritime Commission | National Harbours Board |
| Canadian Pension Commission | National Research Council |
| Canadian War Museum Board | Northern Ontario Pipeline Crown Corporation |
| Civil Service Commission | Northwest Territories Power Commission (Northern Canada Power Commission) |
| Commodity Prices Stabilization Corporation | Restrictive Trade Practices Commission |
| Crown Assets Disposal Corporation | St. Lawrence Seaway Authority |
| Defence Construction (1951) Limited | Tariff Board |
| Defence Research Board | Unemployment Insurance Commission |
| Director of Soldier Settlement | War Veterans Allowance Board |
| The Director, Veterans' Land Act | |
| Dominion Coal Board | |
| Export Credits Insurance Corporation | |

Schedules

PART II

*Portions of the public service of Canada
declared for greater certainty to be
part of the Public Service*

Auditor General and Office of the Auditor General

Canadian Battlefields Memorial Commission (Employees only)

Office of the Custodian of Enemy Property (which is deemed for the purposes of section 23 to be a Public Service Corporation)

Chief Electoral Officer and Office of the Chief Electoral Officer

Governor General's Secretary and Office of the Governor General's Secretary

Northwest Territories Liquor Commission (Employees only)

Postmasters and Assistant Postmasters in Revenue Post Offices

Clerk of the Privy Council and Privy Council Office

Taxation Division, Department of National Revenue

Royal Canadian Mounted Police—service prior to the 1st day of March, 1949 as a special constable, who ceased to be a member of the force prior to that date and to whom no pension has been granted in respect of that service.

Office of the Commissioner of Penitentiaries

Schedules

PART III

Boards, Commissions, Corporations and portions of the public service of Canada deemed to have formed part of the Public Service

| | |
|---|--|
| Allied War Supplies Corporation | Federal Aircraft Limited |
| Associate Committees of the National Research Council | Federal Appeal Board |
| Biological Board of Canada | Foreign Exchange Control Board |
| Board of Commerce | Government Contracts Supervision Committee |
| Board of Review | Harbour Commissions included in the definition of "Corporations" in section 2 of The National Harbours Board Act, 1936 |
| British Columbia Security Commission | Inspection Board of the United Kingdom and Canada |
| Canada Food Board | Military Hospital Commission |
| Canada Radio Broadcasting Commission | Military Service Council |
| Canadian Munition Resources Commission | National Transcontinental Railway Commission |
| Canadian Export Board | National War Finance Committee |
| Canadian Mutual Aid Board | National War Labour Board |
| Canada Registration Board | Office of the Director of Public Information |
| Canadian Shipping Board | Purchasing Commission of Canada |
| Canadian Sugar Stabilization Corporation, Limited | Quebec Shipyards Limited |
| Central Appeal Tribunal | Research Enterprises Limited |
| Citadel Merchandising Company Limited | Royal Commission on Dominion Provincial Relations |
| Cutting Tools and Gauges Limited | Royal Commission on the Textile Industry |
| Defence Construction Limited | Royal Commission on National Development in the Arts, Letters and Sciences |
| Defence Industries Limited—Employment on or after September 1, 1943 | Royal Commission on Price Structures in Canada |
| Defence Purchasing Board | Royal Commission on Transportation |
| Dominion Franchise Commissioner, Office of | |
| Dominion Marketing Board | |
| Economic and Development Commission | |

Soldier Settlement Board
Turbo Research Limited
Veneer Log Supply Limited
Victory Aircraft Limited
War Assets Corporation
War Committee of the Cabinet
War Purchasing Committee
War Supplies Limited

War Supply Board
Wartime Housing Limited
Wartime Information Board
Wartime Merchant Shipping
Limited
Wartime Metals Corporation
Wartime Oils Limited
Wartime Prices and Trade Board

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